

## Message Text

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ACTION EB-07

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R 021816Z JUL 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 2629

UNCLAS PARIS 19529

E.O. 11652: N/A

TAGS: EAIR, FR

SUBJ: CIVAIR: AIR FRANCE'S FINANCIAL LOSSES DUE TO  
CONCORDE

ACCORDING TO AN ARTICLE IN LE MONDE JULY 2, AIR  
FRANCE EXPECTS TO INCUR A DEFICIT OF 200 MILLION FRANCS  
IN OPERATING THE CONCORDE IN 1976.

QUOTING GILBERT PEROL, THE DIRECTOR GENERAL OF A.F.,  
THE ARTICLE GOES ON TO SAY THAT, THANKS TO BETTER THAN  
AVERAGE LOAD FACTORS (58.7), A 16 INCREASE IN FREIGHT  
OPERATIONS AND BETTER PRODUCTIVITY BY PERSONNEL, OVERALL  
LOSSES FOR 1975 WERE LIMITED TO 354 MILLION FRANCS. NE-  
GATIVE FACTORS WERE THE LOSS OF THE CAMBODIAN, LAOTIAN  
AND VIETNAMESE MARKETS, THE ECONOMIC SLUMPS IN EUROPE,  
THE US AND JAPAN AND EXCHANGE PROBLEMS IN SOUTH AMERICA.  
THE MAIN FINANCIAL BURDEN IN 1975 WAS THE NON-REIMBURSE-  
MENT BY THE GOVERNMENT OF LOSSES ASSOCIATED WITH THE  
OPERATION OF THE FUEL THIRSTY CARAVELLES AND DUPLICATION  
OF A.F. SERVICES AT ORLY AND CDG AIRPORTS ACCOUNTING  
FOR 250 MILLION FRANCS. OTHER INTERNAL PROBLEMS ARE SA-  
LARIES OF PERSONNEL AMOUNTING TO 36 OF ALL OPERATING  
COSTS FOR 1975. THE SALARIES OF THE FLIGHT CREWS IS MUCH  
HIGHER THAN THOSE OF AIR FRANCE'S COMPETITORS. THIS IS A  
DIRECT RESULT OF THE GOVERNMENT'S POLICY OF JOB PROTEC-  
TION.

AS TO CONCORDE, PEROL ASSERTED THAT NOT BEFORE 2 TO  
3 YEARS FROM NOW WILL IT MAKE A POSITIVE CONTRIBUTION TO  
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THE AIRLINE'S FINANCIAL SITUATION. IF THE GOVERNMENT'S

FINANCIAL SUPPORT OF THIS INVESTMENT IS REASONABLE AND  
IF SUPERSONIC SERVICES REMAIN WHAT THEY ARE (WITHOUT THE  
NEW YORK AND TOKYO ROUTES) THEN OPERATING LOSSES ON THE  
ORDER OF 200 MILLION FRANCS MUST BE EXPECTED IN 1976.  
RUSH

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